

MONROE COUNTY, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2009

MONROE COUNTY, IOWA

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MONROE COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis J. Ryan	Board of Supervisors	January, 2011
Michael Beary	Board of Supervisors	January, 2013
John Hughes	Board of Supervisors	January, 2013
Jeannie Bettis	County Auditor	January, 2013
Sandy Clark	County Treasurer	January, 2011
Tracy Casady	County Recorder	January, 2011
Daniel Johnson	County Sheriff	January, 2013
Steve Goodlow	County Attorney	January, 2011
Karen Fontinel	County Assessor	January, 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Monroe County, Iowa:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Monroe County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Monroe County, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Monroe County, Iowa at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2010 on our consideration of Monroe County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 3 through 8 and 33 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monroe County, Iowa's basic financial statements. The financial statements for the four years ended June 30, 2008, (none of which are presented herein) were audited by other auditors, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6 including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
January 11, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

Monroe County, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The County's Governmental funds' revenues increased \$263,028 from fiscal year 2008 to fiscal year 2009. Capital grants, contributions and restricted interest increased \$444,725 and operating grants, contributions and restricted interest decreased \$274,296.
- The County's Governmental funds' expenditures totaled \$2,050,270 less in fiscal year 2009 than in fiscal year 2008. Roads and transportation expenditures made up the largest decrease of \$1,823,238.
- The County's Governmental funds' net assets increased 17.0%, or \$1,703,291, from June 30, 2008 to June 30, 2009.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Monroe County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Monroe County, Iowa's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Monroe County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental and the individual Agency Funds as well as the schedule of expenditures of federal awards.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt, capital projects, and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

- 1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include:

1. The General Fund,

2. The Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads,

These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) Proprietary funds account for the County's Internal Service Fund, the Employee Group Health Fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for agriculture extension education, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a statement of fiduciary assets and liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Monroe County, Iowa's combined net assets increased from \$10,024,876 to \$11,728,167 during the year ended June 30, 2009. The analysis that follows focuses on the changes in the net assets for governmental activities.

Net Assets of Governmental Activities

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Current and other assets	\$ 8,596,932	\$ 8,535,969
Capital assets	<u>9,040,576</u>	<u>7,139,661</u>
Total assets	<u>17,637,508</u>	<u>15,675,630</u>
Long-term liabilities	1,172,632	1,276,714
Other liabilities	<u>4,736,709</u>	<u>4,374,040</u>
Total liabilities	<u>5,909,341</u>	<u>5,650,754</u>
Net assets:		
Invested in capital assets, net of related debt	7,865,869	5,656,464
Restricted	2,212,092	2,196,364
Unrestricted	<u>1,650,206</u>	<u>2,172,048</u>
Total net assets	\$ <u>11,728,167</u>	\$ <u>10,024,876</u>

Net assets of Monroe County, Iowa's governmental activities increased by \$1,703,291 (\$11,728,167 compared to \$10,024,876). The largest portion of the County's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment), net of related debt. The debt (if any) related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements—are reported at \$1,650,206 and \$2,172,048 at June 30, 2009 and 2008, respectively.

Changes in Net Assets of Governmental Activities

	<u>Year Ended</u>	
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Revenues:		
Program revenues:		
Charges for service	\$ 390,934	\$ 361,315
Operating grants, contributions and restricted interest	3,609,566	3,883,862
Capital grants, contributions and restricted interest	600,292	155,567
General revenues:		
Property and other County tax	2,045,474	2,137,367
Penalty and interest on property tax	39,229	3,579
State tax credits	88,488	92,595
Local option sales and services tax	423,136	411,673
Unrestricted investment earnings	89,422	181,131
Other general revenues	<u>321,725</u>	<u>118,149</u>
Total revenues	<u>7,608,266</u>	<u>7,345,238</u>

Program expenses:		
Public safety and legal services	1,029,772	1,034,697
Physical health and social services	839,172	751,589
Mental health	748,216	784,399
County environment and education	259,414	677,736
Roads and transportation	1,662,734	3,485,972
Governmental services to residents	369,659	273,061
Administration	932,566	871,466
Interest on long-term debt	63,442	76,325
Total expenses	<u>5,904,975</u>	<u>7,955,245</u>
Change in net assets	1,703,291	(610,007)
Net assets beginning of year	<u>10,024,876</u>	<u>10,634,883</u>
Net assets end of year	\$ <u>11,728,167</u>	\$ <u>10,024,876</u>

The County increased property tax asking for the 2010 fiscal year by 4.0%. The property and other County tax asking for the fiscal year 2010 was set at \$3,489,785, an increase of \$134,863 from the fiscal year 2009.

INDIVIDUAL MAJOR FUND ANALYSIS

As Monroe County, Iowa completed the year, its governmental funds reported a combined fund balance of \$2,786,297, a decrease of \$225,727 compared to last year's total of \$3,012,024. The decrease in fund balance is primarily attributable to the General Fund. The following are the major reasons for the changes in the fund balances of the major governmental funds from the prior year:

- General Fund revenues and expenditures were \$2,976,742 and \$3,273,398, respectively. The ending fund balance showed a decrease of \$194,790 from the prior year to \$1,345,537. The largest decrease in revenues was use of money and property of \$61,383.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$748,216, a decrease of 4.6% from the prior year. The Mental Health Fund balance at year end decreased by \$34,194 from the prior year.
- Rural Services ending fund balance decreased \$15,314 from the June 30, 2008 balance, primarily due to a slight decrease in public safety and legal services expenses of \$39,942.
- Secondary Roads Fund revenues increased by \$449,832 compared to the prior year. This increase in revenues resulted in an increase in the Secondary Roads Fund ending balance of \$27,352, or 3.2%.

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2009, Monroe County, Iowa amended its budget two times, once on November 6, 2008 and again on May 26, 2009.

The County underspent the total budgeted amount of \$10,040,603 by \$1,405,973 for the year ended June 30, 2009.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, Monroe County, Iowa had \$9,040,576 invested in a broad range of capital assets (net of depreciation), including public safety equipment, buildings, park facilities, roads and bridges. This is a net increase (including additions and deletions) of \$1,900,915, or 26.6% percent over last year.

Capital Assets of Governmental Activities at Year End

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Land and construction in progress	\$ 139,955	\$ 275,698
Buildings and improvements	1,777,082	1,603,710
Equipment and vehicles	1,314,691	1,484,428
Infrastructure	<u>5,808,848</u>	<u>3,775,825</u>
Total	\$ <u>9,040,576</u>	\$ <u>7,139,661</u>
This year's major additions included:		
Buildings and improvements	\$ 250,000	\$ 316,877
Equipment and vehicles	133,414	515,486
Infrastructure	<u>2,228,531</u>	<u>-</u>
Total	\$ <u>2,611,945</u>	\$ <u>832,363</u>

The County had depreciation expense of \$537,998 in fiscal year 2009 and total accumulated depreciation of \$4,693,803 at June 30, 2009.

The County's fiscal year 2009 capital budget included \$1,049,500 for capital projects, principally for road and bridge improvements and conservation projects. More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2009, Monroe County, Iowa had \$1,817,053 in general obligation capital loan notes and other debt outstanding compared to \$1,624,379 at June 30, 2008, as shown below:

Outstanding Debt of Governmental Activities at Year-End

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Notes payable	\$ 125,000	\$ 171,429
General obligation notes	1,058,973	800,000
Capital lease purchase agreements	70,698	8,875
Installment purchases	386,023	353,050
Road use tax revenue notes	50,000	150,000
Compensated absences	<u>126,359</u>	<u>141,025</u>
Total	\$ <u>1,817,053</u>	\$ <u>1,624,379</u>

The Constitution of the State of Iowa limits the amount of general obligation debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Monroe County, Iowa's outstanding general obligation debt of \$1,690,694 is significantly below its constitutional debt limit of \$17,457,135. Other obligations include accrued compensated absences. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Monroe County, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and the fees charged for various County activities. One of those factors is the economy. Unemployment (as of August 2009) in the County now stands at 9.5%. This compares with the State's unemployment rate of 6.7% and the national rate of 9.7%.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was (3.618)% for the twelve month period ending June 2009 compared with the national rate of (3.122)%.

These indicators were taken into account when adopting the budget for fiscal year 2010. Amounts available for appropriation in the operating budget are \$8,601,458, a decrease of 14.3% from the fiscal year 2009 budget. The amount of revenue to support the above expenditures is projected to decrease 7.0% from the final fiscal year 2009 budget to \$7,323,160. Property and other County taxes supporting the fiscal year 2010 budget increased \$134,863 from the fiscal year 2009 budget and makes up 40.6% of the revenue for the fiscal year 2010 budgeted expenditures.

If these estimates are realized, the County's budgetary operating balance is expected to decrease by the close of the 2010 fiscal year by approximately \$1,278,298 leaving an overall reserve of approximately 11.7% of budgeted fiscal year 2010 expenditures.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Monroe County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Monroe County Auditor's Office, 10 Benton Avenue East, Albia, Iowa 52531.

MONROE COUNTY, IOWA

STATEMENT OF NET ASSETS

JUNE 30, 2009

	Governmental Activities
ASSETS:	
Cash and pooled investments	\$ 3,601,753
Receivables:	
Property tax:	
Delinquent	515,779
Succeeding year	3,624,249
Accounts	47,164
Due from other governments	480,847
Loan receivable	125,000
Inventories	150,564
Prepaid expenses	51,576
Capital assets (net of accumulated depreciation)	9,040,576
TOTAL ASSETS	17,637,508
LIABILITIES:	
Accounts payable	238,352
Salaries and benefits payable	72,989
Due to other governments	145,975
Accrued interest payable	10,723
Deferred revenue:	
Succeeding year property tax	3,624,249
Long-term liabilities:	
Portion due and payable within one year:	
General obligation notes	339,921
Loans payable	42,857
Compensated absences	126,359
Capital lease purchase agreements	13,984
Installment purchases	71,300
Road-use tax revenue notes	50,000
Portion due and payable after one year:	
General obligation notes	719,052
Loans payable	82,143
Capital lease purchase agreements	56,714
Installment purchases	314,723
TOTAL LIABILITIES	5,909,341
NET ASSETS:	
Invested in capital assets, net of related debt	7,865,869
Restricted for:	
Supplemental levy	771,332
Mental health	117,143
Rural services	300,114
Secondary roads	891,695
Capital projects	157
Debt service	29,848
Other purposes	101,803
Unrestricted	1,650,206
TOTAL NET ASSETS	\$ 11,728,167

MONROE COUNTY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental activities:					
Public safety and legal services	\$ 1,029,772	\$ 139,147	\$ 539,179	\$ -	\$ (351,446)
Physical health and social services	839,172	56,000	172,172	-	(611,000)
Mental health	748,216	22,029	691,993	-	(34,194)
County environment and education	259,414	69,929	563,364	-	373,879
Roads and transportation	1,662,734	31,106	1,622,577	600,292	591,241
Governmental services to residents	369,659	49,997	20,281	-	(299,381)
Administration	932,566	22,726	-	-	(909,840)
Interest on long-term debt	63,442	-	-	-	(63,442)
Total	\$ 5,904,975	\$ 390,934	\$ 3,609,566	\$ 600,292	(1,304,183)
General revenues:					
Property and other County tax levied for:					
General purposes					1,976,869
Debt service					68,605
Penalty and interest on property tax					39,229
State tax credits					88,488
Local option sales and services tax					423,136
Unrestricted investment earnings					89,422
Gain on disposal of capital assets					48,896
Other general revenues					272,829
Total general revenues					3,007,474
Change in net assets					1,703,291
NET ASSETS - Beginning of year					10,024,876
NET ASSETS - End of year					\$ 11,728,167

MONROE COUNTY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

ASSETS	General	Special Revenue			Nonmajor Governmental Funds	Total
		Mental Health	Rural Services	Secondary Roads		
Cash and pooled investments	\$ 1,349,357	\$ 208,183	\$ 303,824	\$ 474,595	\$ 142,009	\$ 2,477,968
Receivables:						
Property tax:						
Delinquent	479,911	7,309	27,016	-	1,543	515,779
Succeeding year	2,079,740	330,684	1,110,700	-	103,125	3,624,249
Accounts	9,741	-	-	37,238	185	47,164
Due from other governments	55,928	1,268	74,930	348,267	454	480,847
Loan receivable	125,000	-	-	-	-	125,000
Inventories	-	-	-	150,564	-	150,564
Prepaid expenses	37,939	-	-	13,637	-	51,576
TOTAL ASSETS	\$ 4,137,616	\$ 547,444	\$ 1,516,470	\$ 1,024,301	\$ 247,316	\$ 7,473,147
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 46,869	\$ 37,989	\$ 183	\$ 107,299	\$ 10,843	\$ 203,183
Salaries and benefits payable	43,610	1,093	3,584	24,702	-	72,989
Due to other governments	17,195	53,245	74,930	605	-	145,975
Deferred revenue:						
Succeeding year property tax	2,079,740	330,684	1,110,700	-	103,125	3,624,249
Other	604,665	7,290	26,959	-	1,540	640,454
TOTAL LIABILITIES	2,792,079	430,301	1,216,356	132,606	115,508	4,686,850
FUND BALANCES:						
Reserved for:						
Inventories	-	-	-	150,564	-	150,564
Prepaid expenses	37,939	-	-	13,637	-	51,576
Debt service fund	-	-	-	-	29,848	29,848
Supplemental levy	771,332	-	-	-	-	771,332
Unreserved, reported in:						
General fund	536,266	-	-	-	-	536,266
Capital projects fund	-	-	-	-	157	157
Special revenue funds	-	117,143	300,114	727,494	101,803	1,246,554
TOTAL FUND BALANCES	1,345,537	117,143	300,114	891,695	131,808	2,786,297
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,137,616	\$ 547,444	\$ 1,516,470	\$ 1,024,301	\$ 247,316	\$ 7,473,147

MONROE COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Total governmental fund balances	\$ 2,786,297
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$13,734,379 and the accumulated depreciation is \$4,693,803.	9,040,576
Other long-term assets are not available to pay current period expenditures and, therefore, are not recorded and/or deferred in the governmental funds.	640,454
The Internal Service Fund is used by management to charge the costs of the County's health and dental insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	1,088,616
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(10,723)
Long-term liabilities, including long-term compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the fund financial statements.	<u>(1,817,053)</u>
Net assets of governmental activities	\$ <u>11,728,167</u>

MONROE COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General	Mental Health	Special Revenue Rural Services	Secondary Roads	Nonmajor Governmental Funds	Total
REVENUES:						
Property and other County tax	\$ 1,982,501	\$ 324,908	\$ 1,458,639	\$ -	\$ 68,605	\$ 3,834,653
Interest and penalty on property tax	39,229	-	-	-	-	39,229
Intergovernmental	608,437	389,114	38,375	2,222,869	17,728	3,276,523
Licenses and permits	-	-	-	1,890	-	1,890
Charges for service	201,633	-	3,942	138	17,805	223,518
Use of money and property	125,132	-	-	-	2,174	127,306
Miscellaneous	19,810	-	2,240	29,078	10,755	61,883
Total revenues	<u>2,976,742</u>	<u>714,022</u>	<u>1,503,196</u>	<u>2,253,975</u>	<u>117,067</u>	<u>7,565,002</u>
EXPENDITURES:						
Current:						
Public safety and legal services	911,709	-	169,282	-	-	1,080,991
Physical health and social services	848,873	-	12,450	-	-	861,323
Mental health	-	748,216	-	-	-	748,216
County environment and education	124,460	-	119,322	-	-	243,782
Roads and transportation	-	-	-	2,999,673	-	2,999,673
Governmental services to residents	448,299	-	-	-	-	448,299
Administration	906,215	-	-	-	-	906,215
Debt service	33,842	-	-	537,623	71,470	642,935
Capital projects	-	-	423,135	214,022	124,378	761,535
Total expenditures	<u>3,273,398</u>	<u>748,216</u>	<u>724,189</u>	<u>3,751,318</u>	<u>195,848</u>	<u>8,692,969</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(296,656)</u>	<u>(34,194)</u>	<u>779,007</u>	<u>(1,497,343)</u>	<u>(78,781)</u>	<u>(1,127,967)</u>
Other financial sources (uses):						
Proceeds from debt	146,055	-	-	600,000	70,000	816,055
Sale of capital assets	-	-	-	86,185	-	86,185
Transfers in	-	-	-	838,510	-	838,510
Transfers out	(44,189)	-	(794,321)	-	-	(838,510)
Total other financing sources (uses)	<u>101,866</u>	<u>-</u>	<u>(794,321)</u>	<u>1,524,695</u>	<u>70,000</u>	<u>902,240</u>
Net change in fund balances	<u>(194,790)</u>	<u>(34,194)</u>	<u>(15,314)</u>	<u>27,352</u>	<u>(8,781)</u>	<u>(225,727)</u>
Fund balances - Beginning of year	<u>1,540,327</u>	<u>151,337</u>	<u>315,428</u>	<u>864,343</u>	<u>140,589</u>	<u>3,012,024</u>
Fund balances - End of year	<u>\$ 1,345,537</u>	<u>\$ 117,143</u>	<u>\$ 300,114</u>	<u>\$ 891,695</u>	<u>\$ 131,808</u>	<u>\$ 2,786,297</u>

MONROE COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009

Net change in fund balances - Total governmental funds \$ (225,727)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 2,476,202	
Depreciation expense	<u>(537,998)</u>	
		1,938,204

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred and/or not recorded in the governmental funds:

Property tax and other deferred revenues	(5,632)
--	---------

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	608,715
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In the Statement of Activities, the gain on disposition of capital assets is reported, whereas the governmental funds report the proceeds from the sale as an increase in financial resources.	(37,289)
--	----------

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	(816,055)
---	-----------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Compensated absences	14,666
Interest on long-term debt	13,235

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in Fund net assets of the Internal Service Fund is reported with governmental activities.	<u>213,174</u>
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Change in net assets of governmental activities	\$ <u>1,703,291</u>
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MONROE COUNTY, IOWA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

Internal Service -
Employee
Group Health

ASSETS

Cash and cash equivalents

\$ 1,123,785

LIABILITIES

Accounts payable

35,169

NET ASSETS:

Unrestricted

\$ 1,088,616

MONROE COUNTY, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

Internal Service -
 Employee
Group Health

OPERATING REVENUES:

Charges to County operating funds and others	\$ 759,647
Charges to retirees	11,400
Insurance reimbursements	<u>3,997</u>
Total operating revenues	<u>775,044</u>

OPERATING EXPENSES:

Medical claims	353,608
Administrative fees	223,495
Stop loss insurance premiums	<u>5,957</u>
Total operating expenses	<u>583,060</u>

Operating income	191,984
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NON-OPERATING REVENUES:

Interest on investments	<u>21,190</u>
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CHANGE IN FUND NET ASSETS	213,174
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<u>NET ASSETS</u> - Beginning of year	<u>875,442</u>
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<u>NET ASSETS</u> - End of year	\$ <u>1,088,616</u>
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MONROE COUNTY, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009

Internal Service -
Employee
Group Health

CASH FLOWS FROM OPERATING ACTIVITIES :

Cash received from operating fund reimbursements	\$ 761,240
Cash received from employees and others	15,397
Cash payments to suppliers for services	<u>(606,607)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	170,030

CASH FLOWS FROM INVESTING ACTIVITIES :

Interest on investments	<u>21,190</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS 191,220

CASH AND CASH EQUIVALENTS - Beginning of year 932,565

CASH AND CASH EQUIVALENTS - End of year \$ 1,123,785

RECONCILIATION OF OPERATING INCOME TO NET CASH

PROVIDED BY OPERATING ACTIVITIES :

Operating income	\$ 191,984
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	1,593
Decrease in accounts payable	<u>(23,547)</u>

Net cash provided by operating activities \$ 170,030

MONROE COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2009ASSETS

Cash and pooled investments:		
County Treasurer	\$	512,072
Other County officials		26,701
Accounts receivable		9,017
Property tax receivable:		
Delinquent		158,093
Succeeding year		7,723,231
Due from other governments		6,062
Prepaid expenses		874
	TOTAL ASSETS	<u>8,436,050</u>

LIABILITIES

Accounts payable		929
Due to other governments		8,410,066
Trusts payable		25,055
	TOTAL LIABILITIES	<u>8,436,050</u>
	NET ASSETS	\$ <u>-</u>

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Monroe County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Monroe County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Monroe County Assessor's Conference Board, Monroe County Emergency Management Commission and Monroe County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds:

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants and then by general revenues.

The proprietary fund of the County applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund is charges to other funds for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the date of purchase, have a maturity date no longer than three months.

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2008.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Loan Receivable – Loans receivable represents the amount outstanding on a Community Economic Betterment Account loan made by the County to a local business.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 65,000
Land, buildings and improvements	25,000
Equipment and vehicles	5,000

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Infrastructure	10-65
Buildings and improvements	10-50
Equipment and vehicles	3-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable and other receivables not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and other receivables for which the related revenues have not yet been earned.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets – The net assets of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements did not exceed the amounts budgeted.

NOTE 2: CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible banker's acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

The County's funds are all deposited in financial institution depository accounts.

NOTE 3: LOAN RECEIVABLE

During the year ended June 30, 2005, the County entered into a promissory note receivable agreement with Relco Locomotives in the amount of \$300,000. The note is an interest-free agreement. The note is secured by personal guarantee and first position UCC-1 on specific machinery and equipment and was issued as part of an Iowa Economic Development CEBA Loan Program. As explained in Note 7, this transaction was enabled by a Community Economic Betterment Account interest free promissory note obtained by the County.

A summary of annual collections due to the County as of June 30, 2009 is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>
2010	\$ 42,857
2011	42,857
2012	<u>39,286</u>
	\$ <u>125,000</u>

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 4: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 794,321
Special Revenue: Secondary Roads	General	<u>44,189</u>
	Total	\$ <u>838,510</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTE 5: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases and Transfers</u>	<u>Decreases and Transfers</u>	<u>Balance End of Year</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 139,955	\$ -	\$ -	\$ 139,955
Construction in progress	<u>135,743</u>	<u>-</u>	<u>135,743</u>	<u>-</u>
Total capital assets not being depreciated	<u>275,698</u>	<u>-</u>	<u>135,743</u>	<u>139,955</u>
Capital assets being depreciated:				
Buildings	2,461,557	250,000	-	2,711,557
Improvements other than buildings	72,000	-	-	72,000
Equipment and vehicles	4,726,068	133,414	372,889	4,486,593
Infrastructure	<u>4,095,743</u>	<u>2,228,531</u>	<u>-</u>	<u>6,324,274</u>
Total capital assets being depreciated	<u>11,355,368</u>	<u>2,611,945</u>	<u>372,889</u>	<u>13,594,424</u>
Less accumulated depreciation for:				
Buildings	867,639	74,036	-	941,675
Improvements other than buildings	62,208	2,592	-	64,800
Equipment and vehicles	3,241,640	265,862	335,600	3,171,902
Infrastructure	<u>319,918</u>	<u>195,508</u>	<u>-</u>	<u>515,426</u>
Total accumulated depreciation	<u>4,491,405</u>	<u>537,998</u>	<u>335,600</u>	<u>4,693,803</u>
Total capital assets being depreciated, net	<u>6,863,963</u>	<u>2,073,947</u>	<u>37,289</u>	<u>8,900,621</u>
Governmental activities capital assets, net	\$ <u>7,139,661</u>	\$ <u>2,073,947</u>	\$ <u>173,032</u>	\$ <u>9,040,576</u>

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 5: CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

Governmental Activities:	
Public safety and legal services	\$ 22,647
County environment and education	15,826
Roads and transportation	405,053
Governmental services to residents	27,125
Administration	<u>67,347</u>
Total depreciation expense -	
Governmental activities	\$ <u>537,998</u>

NOTE 6: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Amount</u>
General	\$ 17,195
Special Revenue:	
Mental Health	53,245
Rural Services	74,930
Secondary Roads	<u>605</u>
Total governmental funds	<u>145,975</u>
Agency:	
E-911	88,255
County hospital	657,775
Townships	<u>155,856</u>
Corporations	1,329,864
Schools	5,174,693
Area schools	336,795
County Assessor	388,964
Agriculture extension education	111,306
Auto license and use tax	136,962
All other	<u>29,596</u>
Total agency funds	<u>8,410,066</u>
	\$ <u>8,556,041</u>

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Capital lease purchase agreements	\$ 8,875	\$ 65,000	\$ 3,177	\$ 70,698	\$ 13,984
Installment purchases	353,050	81,055	48,082	386,023	71,300
General obligation notes	800,000	670,000	411,027	1,058,973	339,921
Road use tax revenue notes	150,000	-	100,000	50,000	50,000
Loans payable	171,429	-	46,429	125,000	42,857
Compensated absences	<u>141,025</u>	<u>126,359</u>	<u>141,025</u>	<u>126,359</u>	<u>126,359</u>
Total	\$ <u>1,624,379</u>	\$ <u>942,414</u>	\$ <u>749,740</u>	\$ <u>1,817,053</u>	\$ <u>644,421</u>

Capital Lease Purchase Agreements

During the year ended June 30, 2007, the County entered into a capital lease purchase agreement to purchase a conservation area mower with historical cost totaling \$11,010. During the year ended June 30, 2009, the County entered into two capital lease purchase agreements to purchase a copier for the Recorder's office with a total historical cost of \$10,000 and to purchase computer equipment for the Public Health department with a total historical cost of \$55,000. The following is a schedule of the future minimum lease payments, including interest ranging from 7.20% to 10.40% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2009:

<u>Year Ending June 30,</u>	<u>Principal</u>
2010	\$ 20,338
2011	20,338
2012	19,878
2013	17,579
2014	<u>9,187</u>
Total minimum lease payments	87,320
Less amount representing interest	<u>16,622</u>
Present value of net minimum lease payments	\$ <u>70,698</u>

Payments under capital lease purchase agreements for the year ended June 30, 2009 totaled \$4,149.

Installment Purchases

During the year ended June 30, 2008, the County entered into an installment purchase agreement to purchase two motorgraders at a total historical cost of \$392,250. The agreement calls for two biannual payments, including interest, of \$15,047 for the first year of the agreement and \$33,055 for the remaining lease period through the year ending June 30, 2015. The purchase agreement has an effective annual interest rate of 4.96%.

During the year ended June 30, 2009, the County entered into an installment purchase agreement to purchase an imaging system for the County at a total historical cost of \$81,055. The agreement calls for five annual payments through the year ending June 30, 2014.

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: CHANGES IN LONG-TERM LIABILITIES (Continued)

The following is a schedule of future installment purchase payments:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 71,300	\$ 14,618	\$ 85,918
2011	59,688	12,355	72,043
2012	65,553	9,981	75,534
2013	64,555	7,489	72,044
2014	67,172	4,873	72,045
2015	<u>57,755</u>	<u>2,127</u>	<u>59,882</u>
	\$ <u>386,023</u>	\$ <u>51,443</u>	\$ <u>437,466</u>

Payments under installment purchase agreements for the year ended June 30, 2009 totaled \$48,082.

General Obligation Notes

During the year ended June 30, 2008, the County issued \$400,000 in general obligation corporate purpose notes for the County's share of constructing the Honey Creek Resort State Park. The notes have an interest rate of 4.50% per annum and are payable through the year ending June 30, 2018.

During the year ended June 30, 2008, the County issued a \$400,000 general obligation office building note for the purpose of purchasing and renovating additional Courthouse office and storage space. The note bears an interest rate of 5.50% per annum and is payable through the year ending June 30, 2015.

During the year ended June 30, 2009, the County issued a \$70,000 general obligation education center note for the purpose of purchasing real estate. The note bears an interest rate of 4.44% per annum and is payable through the year ending June 30, 2014.

During the year ended June 30, 2009, the County issued a \$600,000 general obligation county road improvement note for the purpose of paying for the improvement of county roads. The note bears an interest rate of 3.00% and is payable through the year ending June 30, 2010.

Details of the County's general obligation notes are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 339,921	\$ 42,195	\$ 382,116
2011	107,389	34,482	141,871
2012	112,839	29,030	141,869
2013	118,713	23,157	141,870
2014	124,829	17,041	141,870
2015	115,312	10,611	125,923
2016	48,880	5,573	54,453
2017	51,164	3,290	54,454
2018	<u>39,926</u>	<u>915</u>	<u>40,841</u>
	\$ <u>1,058,973</u>	\$ <u>166,294</u>	\$ <u>1,225,267</u>

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 7: CHANGES IN LONG-TERM LIABILITIES (Continued)

Road Use Tax Revenue Notes

Details of the County's June 30, 2009 road use tax revenue notes are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	4.75 %	\$ <u>50,000</u>	\$ <u>1,214</u>	\$ <u>51,214</u>

The County pledged future road use tax revenues to repay the \$400,000 notes issued in September 2005. The notes were issued for the purpose of financing Secondary Roads maintenance equipment. The notes are payable solely from the proceeds of the road use tax revenues received by the County and are payable through 2010. The notes are not a general obligation of the County. However, the debt is subject to the constitutional debt limitation of the County. Annual principal and interest payments on the notes are expected to require approximately seven percent of the road use tax revenues. The total principal and interest remaining to be paid on the notes is \$51,214. For the current year, principal and interest of \$106,030 was paid on the notes and total road use tax revenues were \$1,553,194.

Loan Payable

During the year ended June 30, 2005, the County entered into a \$300,000 Community Economic Betterment Account interest free promissory note agreement payable in 84 monthly payments of \$3,571. However, the County's liability on the note is limited to those amounts collected from the County's good-faith enforcement of a security interest in its note receivable agreement with Relco Locomotives (Note 3). Upon exhaustion of the County's rights in the collateral granted by such security interest, the County will have no liability for any deficiency owing on the note except in the event of County fraud, negligence, or gross mismanagement of the loan agreement.

Details of the County's loans payable at June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2010	\$ 42,857
2011	42,857
2012	<u>39,286</u>
Total	\$ <u>125,000</u>

NOTE 8: OPERATING LEASES

The County has two operating leases for copiers for the Recorder's and Sheriff's offices. The minimum lease payments for the copiers are \$280 and \$189 per month, respectively.

Future rental payments required by the lease terms are:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ <u>2,240</u>

Payments under the operating lease agreements for the year ended June 30, 2009 totaled \$3,360.

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 9: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the County is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contribution to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$164,966, \$156,191, \$147,263, respectively, equal to the required contributions for each year.

NOTE 10: RISK MANAGEMENT

Monroe County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency-in-capital. ~~Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.~~

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's contributions to the Pool for the year ended June 30, 2009 were \$104,900.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2009, no liability has been recorded in the County's financial statements. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 10: RISK MANAGEMENT (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amounts of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11: EMPLOYEE HEALTH INSURANCE PLAN

The Monroe County Employee Group Health Fund was established to account for the partial self funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$30,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Monroe County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to First Administrator, Inc. from the Monroe County Employees Group Health Fund. The County's contribution to the fund for the year ended June 30, 2009 was \$759,647.

Amounts payable from the Employee Group Health Fund at June 30, 2009 total \$35,169, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior year and current year claims, and to establish a reserve for catastrophic losses. That reserve was \$1,088,616 at June 30, 2009 and is reported as net assets of the Employee Group Health Fund. A liability has been established based on the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liabilities for claims for the current year is as follows:

Unpaid claims at July 1, 2008	\$ 58,716
Incurring claims (including claims incurred but not reported at June 30, 2009):	
Current year events	583,060
Payments:	
Current year events	547,891
Prior year events	<u>58,716</u>
Unpaid claims at June 30, 2009	\$ <u>35,169</u>

MONROE COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

NOTE 12: CONTINGENT LIABILITIES

Monroe County, Iowa participates in the South Central Iowa Solid Waste Agency (Agency), a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated within the member counties and municipalities.

The County may be required to provide a local government guarantee for a portion of the closure and postclosure costs of the landfill as per Chapter 111.6(8) of the Iowa Administrative Code. At June 30, 2009, the County had no financial assurance obligation.

In the event of South Central Iowa Solid Waste Agency fails to perform closure or postclosure care in accordance with the appropriate plan or permit, whenever required to do so, or fails to obtain alternate financial assurance within 90 days of intent to cancel, Monroe County, Iowa will perform or pay a third party to perform closure and/or postclosure care or establish a standby trust fund in the name of the South Central Iowa Solid Waste Agency or obtain alternate financial assurance in the amount of any required future local government guarantee.

In September 2007, the County approved the issuance of \$100,000,000 in Taxable Industrial Development Revenue Bonds or Notes for the purpose of the development of the Mid-West Chlor-Alkali Project for the production of food-grade liquid caustic soda, liquid hydrochloric acid and sodium hypochloride. As the issuer of the bonds, the County will have only limited obligations and will have no pecuniary liability.

The County received notice in November 2006 of legal action being taken against the County alleging improper procedures taken by the County in relation to a property taken by the County through the tax sale procedures for delinquent taxes. The outcome of this litigation cannot be determined at this time.

NOTE 13: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2008 have been reclassified to conform with June 30, 2009 presentation.

REQUIRED SUPPLEMENTARY INFORMATION

MONROE COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009

	Governmental Fund Types	Budgeted		Final to Actual Variance - Positive (Negative)
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
RECEIPTS:				
Property and other County tax	\$ 3,833,546	\$ 4,092,535	\$ 4,092,535	\$ (258,989)
Interest and penalty on property tax	39,648	3,000	3,000	36,648
Intergovernmental	3,112,014	2,781,879	3,403,079	(291,065)
Licenses and permits	1,490	300	300	1,190
Charges for service	231,255	151,140	151,140	80,115
Use of money and property	128,284	98,530	98,530	29,754
Miscellaneous	56,349	24,825	124,825	(68,476)
Total receipts	<u>7,402,586</u>	<u>7,152,209</u>	<u>7,873,409</u>	<u>(470,823)</u>
DISBURSEMENTS:				
Public safety and legal services	1,072,602	1,253,193	1,275,193	202,591
Physical health and social services	787,351	864,472	870,672	83,321
Mental health	764,908	1,083,942	1,083,942	319,034
County environment and education	241,760	293,684	293,684	51,924
Roads and transportation	2,997,389	2,318,578	3,095,838	98,449
Governmental services to residents	357,766	476,064	490,025	132,259
Administration	901,970	995,575	1,009,536	107,566
Debt service	642,935	106,094	872,213	229,278
Capital projects	867,949	974,500	1,049,500	181,551
Total disbursements	<u>8,634,630</u>	<u>8,366,102</u>	<u>10,040,603</u>	<u>1,405,973</u>
Excess (deficiency) of receipts over (under) disbursements	(1,232,044)	(1,213,893)	(2,167,194)	935,150
Other financing uses	<u>756,185</u>	<u>5,000</u>	<u>605,000</u>	<u>151,185</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(475,859)	(1,208,893)	(1,562,194)	1,086,335
BALANCE - Beginning of year	<u>2,953,827</u>	<u>2,325,989</u>	<u>2,833,112</u>	<u>120,715</u>
BALANCE - End of year	\$ <u>2,477,968</u>	\$ <u>1,117,096</u>	\$ <u>1,270,918</u>	\$ <u>1,207,050</u>

MONROE COUNTY, IOWA

BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2009

	<u>Governmental Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 7,402,586	\$ 162,416	\$ 7,565,002
Expenditures	<u>8,634,630</u>	<u>58,339</u>	<u>8,692,969</u>
Net	(1,232,044)	104,077	(1,127,967)
Other financing sources	756,185	146,055	902,240
Beginning fund balances	<u>2,953,827</u>	<u>58,197</u>	<u>3,012,024</u>
Ending fund balances	\$ <u>2,477,968</u>	\$ <u>308,329</u>	\$ <u>2,786,297</u>

See Accompanying Independent Auditor's Report.

MONROE COUNTY, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units and Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 10 major classes of expenditures known as functions, not by fund. These 10 functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, nonprogram, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,674,501. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

OTHER SUPPLEMENTARY INFORMATION

MONROE COUNTY, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2009

		<u>Special Revenue</u>	
	<u>Resource Enhancement and Protection</u>	<u>County Recorder's Records Management</u>	<u>County Recorder's Electronic Transaction Fee</u>
<u>ASSETS</u>			
Cash and pooled investments	\$ 41,301	\$ 12,008	\$ 8
Receivables:			
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Accounts receivable	92	27	-
Due from other governments	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>41,393</u>	\$ <u>12,035</u>	\$ <u>8</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES:</u>			
Accounts payable	\$ 10,315	\$ -	\$ -
Deferred revenue			
Succeeding year property tax	-	-	-
Other	-	-	-
Total liabilities	<u>10,315</u>	<u>-</u>	<u>-</u>
<u>FUND EQUITY:</u>			
Unreserved, reported in:			
Debt service fund	-	-	-
Capital projects fund	-	-	-
Special revenue funds	<u>31,078</u>	<u>12,035</u>	<u>8</u>
Total fund equity	<u>31,078</u>	<u>12,035</u>	<u>8</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>41,393</u>	\$ <u>12,035</u>	\$ <u>8</u>

<u>Conservation Land Acquisition</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 58,756	\$ 29,779	\$ 157	\$ 142,009
-	1,543	-	1,543
-	103,125	-	103,125
-	66	-	185
<u>454</u>	<u>-</u>	<u>-</u>	<u>454</u>
\$ <u>59,210</u>	\$ <u>134,513</u>	\$ <u>157</u>	\$ <u>247,316</u>
\$ 528	\$ -	\$ -	\$ 10,843
-	103,125	-	103,125
-	1,540	-	1,540
<u>528</u>	<u>104,665</u>	<u>-</u>	<u>115,508</u>
-	29,848	-	29,848
-	-	157	157
<u>58,682</u>	<u>-</u>	<u>-</u>	<u>101,803</u>
<u>58,682</u>	<u>29,848</u>	<u>157</u>	<u>131,808</u>
\$ <u>59,210</u>	\$ <u>134,513</u>	\$ <u>157</u>	\$ <u>247,316</u>

MONROE COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	Special Revenue		
	Resource Enhancement and Protection	County Recorder's Records Management	County Recorder's Electronic Transaction Fee
<u>REVENUES:</u>			
Property and other County tax	\$ -	\$ -	\$ -
Intergovernmental	14,199	-	-
Charges for service	-	1,810	-
Use of money and property	1,017	281	-
Miscellaneous	-	-	-
Total revenues	<u>15,216</u>	<u>2,091</u>	<u>-</u>
<u>EXPENDITURES:</u>			
Debt service	-	-	-
Capital projects	<u>45,315</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>45,315</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(30,099)	2,091	-
Other financing sources:			
Proceeds from debt	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(30,099)	2,091	-
Fund balances - Beginning of year	<u>61,177</u>	<u>9,944</u>	<u>8</u>
Fund balances - End of year	\$ <u>31,078</u>	\$ <u>12,035</u>	\$ <u>8</u>

<u>Conservation Land Acquisition</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ -	\$ 68,605	\$ -	\$ 68,605
454	3,075	-	17,728
15,995	-	-	17,805
-	876	-	2,174
10,755	-	-	10,755
<u>27,204</u>	<u>72,556</u>	<u>-</u>	<u>117,067</u>
-	71,470	-	71,470
<u>79,063</u>	<u>-</u>	<u>-</u>	<u>124,378</u>
<u>79,063</u>	<u>71,470</u>	<u>-</u>	<u>195,848</u>
(51,859)	1,086	-	(78,781)
<u>70,000</u>	<u>-</u>	<u>-</u>	<u>70,000</u>
18,141	1,086	-	(8,781)
<u>40,541</u>	<u>28,762</u>	<u>157</u>	<u>140,589</u>
\$ <u>58,682</u>	\$ <u>29,848</u>	\$ <u>157</u>	\$ <u>131,808</u>

MONROE COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2009

	<u>County Offices</u>		
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>County Auditor</u>
<u>ASSETS</u>			
Cash and pooled investments:			
County Treasurer	\$ -	\$ -	\$ -
Other County officials	1,646	14,818	10,237
Receivables:			
Accounts receivable	-	-	-
Property tax:			
Delinquent	-	-	-
Succeeding year	-	-	-
Due from other governments	-	-	-
Prepaid expenses	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 \$ <u>1,646</u>	 \$ <u>14,818</u>	 \$ <u>10,237</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Due to other governments	1,646	-	-
Trusts payable	-	14,818	10,237
	<u>-</u>	<u>14,818</u>	<u>10,237</u>
 TOTAL LIABILITIES	 \$ <u>1,646</u>	 \$ <u>14,818</u>	 \$ <u>10,237</u>

<u>E-911</u>	<u>Advance Tax</u>	<u>Brucellosis and Tuberculosis Eradication Fund</u>	<u>County Hospital</u>	<u>Townships</u>	<u>Corporations</u>
\$ 73,108	\$ 26,351	\$ 20	\$ 11,980	\$ 2,065	\$ 33,762
-	-	-	-	-	-
9,016	-	-	-	-	-
-	-	26	13,331	3,891	11,444
-	-	1,073	632,464	149,900	1,284,658
6,062	-	-	-	-	-
874	-	-	-	-	-
<u>\$ 89,060</u>	<u>\$ 26,351</u>	<u>\$ 1,119</u>	<u>\$ 657,775</u>	<u>\$ 155,856</u>	<u>\$ 1,329,864</u>
\$ 805	\$ -	\$ -	\$ -	\$ -	\$ -
88,255	26,351	1,119	657,775	155,856	1,329,864
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 89,060</u>	<u>\$ 26,351</u>	<u>\$ 1,119</u>	<u>\$ 657,775</u>	<u>\$ 155,856</u>	<u>\$ 1,329,864</u>

MONROE COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2009

	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>	<u>Agriculture Extension Education</u>
<u>ASSETS</u>				
Cash and pooled investments:				
County Treasurer	\$ 88,876	\$ 4,910	\$ 131,803	\$ 1,756
Other County officials	-	-	-	-
Receivables:				
Accounts receivable	-	-	-	-
Property tax:				
Delinquent	115,469	6,326	5,344	2,262
Succeeding year	4,970,348	325,559	251,941	107,288
Due to other governments	-	-	-	-
Prepaid expenses	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>5,174,693</u>	\$ <u>336,795</u>	\$ <u>389,088</u>	\$ <u>111,306</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ 124	\$ -
Due to other governments	5,174,693	336,795	388,964	111,306
Trusts payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	\$ <u>5,174,693</u>	\$ <u>336,795</u>	\$ <u>389,088</u>	\$ <u>111,306</u>

Schedule 3 - (Continued)

Auto License and Use Tax	City Special Assessments	Recorder's E-Transfer Fee	Total
\$ 136,962	\$ 126	\$ 353	\$ 512,072
-	-	-	26,701
-	-	1	9,017
-	-	-	158,093
-	-	-	7,723,231
-	-	-	6,062
-	-	-	874
<u>\$ 136,962</u>	<u>\$ 126</u>	<u>\$ 354</u>	<u>\$ 8,436,050</u>
 \$ -	 \$ -	 \$ -	 \$ 929
136,962	126	354	8,410,066
-	-	-	25,055
<u>\$ 136,962</u>	<u>\$ 126</u>	<u>\$ 354</u>	<u>\$ 8,436,050</u>

MONROE COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2009

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>		
	<u>County Recorder</u>	<u>County Sheriff</u>	<u>County Auditor</u>
Balances beginning of year	\$ <u>206</u>	\$ <u>17,587</u>	\$ <u>10,235</u>
Additions:			
Property and other County tax	-	-	-
State tax credits	-	-	-
E911 surcharge	-	-	-
Office fees and collections	140,237	28,841	232
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Interest income	-	-	-
Trusts	-	162,271	2
Miscellaneous	-	-	-
Total additions	<u>140,237</u>	<u>191,112</u>	<u>234</u>
Deductions:			
Agency remittances:			
To other funds	55,837	35,749	232
To other governments	82,960	394	-
Trusts paid out	-	157,738	-
Total deductions	<u>138,797</u>	<u>193,881</u>	<u>232</u>
Balances end of year	\$ <u>1,646</u>	\$ <u>14,818</u>	\$ <u>10,237</u>

<u>E-911</u>	<u>Advance Tax</u>	<u>Brucellosis and Tuberculosis Eradication Fund</u>	<u>County Hospital</u>	<u>Townships</u>	<u>Corporations</u>
\$ <u>101,191</u>	\$ <u>33,714</u>	\$ <u>1,046</u>	\$ <u>615,650</u>	\$ <u>133,818</u>	\$ <u>1,336,874</u>
-	28,291	1,238	634,812	150,669	1,257,059
-	-	52	25,906	5,222	85,154
61,200	-	-	-	-	-
1,265	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,599	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>65,064</u>	<u>28,291</u>	<u>1,290</u>	<u>660,718</u>	<u>155,891</u>	<u>1,342,213</u>
-	-	-	-	-	-
77,195	35,654	1,217	618,593	133,853	1,349,223
-	-	-	-	-	-
<u>77,195</u>	<u>35,654</u>	<u>1,217</u>	<u>618,593</u>	<u>133,853</u>	<u>1,349,223</u>
\$ <u>89,060</u>	\$ <u>26,351</u>	\$ <u>1,119</u>	\$ <u>657,775</u>	\$ <u>155,856</u>	\$ <u>1,329,864</u>

MONROE COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

YEAR ENDED JUNE 30, 2009

<u>ASSETS AND LIABILITIES</u>	<u>Schools</u>	<u>Area Schools</u>	<u>County Assessor</u>
Balances beginning of year	\$ <u>4,887,652</u>	\$ <u>290,857</u>	\$ <u>381,430</u>
Additions:			
Property and other County tax	4,981,834	327,107	252,999
State tax credits	221,430	12,291	10,473
E911 surcharge	-	-	-
Office fees and collections	-	-	627
Auto licenses, use tax and postage	-	-	-
Assessments	-	-	-
Interest income	-	-	-
Trusts	-	-	-
Miscellaneous	-	-	12,179
Total additions	<u>5,203,264</u>	<u>339,398</u>	<u>276,278</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	4,916,223	293,460	268,620
Trusts paid out	-	-	-
Total deductions	<u>4,916,223</u>	<u>293,460</u>	<u>268,620</u>
Balances end of year	\$ <u>5,174,693</u>	\$ <u>336,795</u>	\$ <u>389,088</u>

Schedule 4 (Continued)

<u>Agriculture Extension Education</u>	<u>Auto License and Use Tax</u>	<u>City Special Assessments</u>	<u>Tax Sale Redemption Trust</u>	<u>Recorder's E-Transfer Fee</u>	<u>Total</u>
\$ 103,921	\$ 131,406	\$ 636	\$ -	\$ 317	\$ 8,046,540
107,948	-	-	-	-	7,741,957
4,394	-	-	-	-	364,922
-	-	-	-	-	61,200
-	-	-	-	1,810	173,012
-	1,782,054	-	-	-	1,782,054
-	-	1,968	-	-	1,968
-	-	-	-	4	2,603
-	-	-	147,800	-	310,073
-	-	-	-	-	12,179
<u>112,342</u>	<u>1,782,054</u>	<u>1,968</u>	<u>147,800</u>	<u>1,814</u>	<u>10,449,968</u>
-	96,725	-	-	-	188,543
104,957	1,679,773	2,478	-	1,777	9,566,377
-	-	-	147,800	-	305,538
<u>104,957</u>	<u>1,776,498</u>	<u>2,478</u>	<u>147,800</u>	<u>1,777</u>	<u>10,060,458</u>
\$ 111,306	\$ 136,962	\$ 126	\$ -	\$ 354	\$ 8,436,050

MONROE COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST FIVE YEARS

	Modified Accrual Basis			
	Year Ended June 30,			
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>REVENUES:</u>				
Property and other County tax	\$ 3,834,653	\$ 3,745,260	\$ 3,719,710	\$ 3,299,545
Interest and penalty on property tax	39,229	38,012	124,528	36,861
Intergovernmental	3,276,523	2,895,924	2,897,772	3,419,355
Licenses and permits	1,890	1,390	715	490
Charges for service	223,518	238,158	240,365	252,875
Use of money and property	127,306	191,026	195,205	171,331
Miscellaneous	<u>61,883</u>	<u>64,585</u>	<u>42,154</u>	<u>32,010</u>
Total	\$ <u>7,565,002</u>	\$ <u>7,174,355</u>	\$ <u>7,220,449</u>	\$ <u>7,212,467</u>
<u>EXPENDITURES:</u>				
Operating:				
Public safety and legal services	\$ 1,080,991	\$ 1,078,661	\$ 1,008,343	\$ 1,042,222
Physical health and social services	861,323	750,894	705,034	668,924
Mental health	748,216	784,399	857,955	795,100
County environment and education	243,782	609,350	264,183	260,494
Roads and transportation	2,999,673	3,164,319	2,350,659	2,822,780
Governmental services to residents	448,299	275,201	264,770	332,531
Administration	906,215	878,986	863,002	853,821
Debt service	642,935	226,063	409,729	270,955
Capital projects	<u>761,535</u>	<u>977,638</u>	<u>447,538</u>	<u>1,117,862</u>
Total	\$ <u>8,692,969</u>	\$ <u>8,745,511</u>	\$ <u>7,171,213</u>	\$ <u>8,164,689</u>

2005

\$ 3,080,565
41,246
3,308,942
505
248,374
133,310
24,023

\$ 6,836,965

\$ 933,073
671,063
1,077,603
595,876
2,384,357
275,864
912,850
273,830
566,999

\$ 7,691,515

MONROE COUNTY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

<u>GRANTER/PROGRAM</u>	<u>CFDA Number</u>	<u>Program Expenditures</u>
<u>INDIRECT:</u>		
<u>Department of Health and Human Services:</u>		
Iowa Department of Public Health:		
Maternal and Child Health	93.994	\$ 843
Immunization Grants	93.268	5,716
Public Health Emergency Preparedness	93.069	11,358
 <u>Department of Agriculture:</u>		
Iowa Department of Public Health:		
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	1,668
 <u>Department of Homeland Security:</u>		
Iowa Department of Public Defense:		
Iowa Homeland Security and Emergency Management Division:		
Disaster Grants - Public Assistance	97.036	<u>569,110</u>
Total		\$ <u>588,695</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Monroe County, Iowa and is presented on the modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Officials of Monroe County, Iowa:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Monroe County, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated January 11, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monroe County, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Monroe County, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monroe County, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Monroe County, Iowa's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Monroe County, Iowa's financial statements that is more than inconsequential will not be prevented or detected by Monroe County, Iowa's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Monroe County, Iowa's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Monroe County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Monroe County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Monroe County, Iowa and other parties to whom the County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Monroe County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
January 11, 2010

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

To the Officials of Monroe County, Iowa

Compliance

We have audited the compliance of Monroe County, Iowa with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. Monroe County, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Monroe County, Iowa's management. Our responsibility is to express an opinion on Monroe County, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Monroe County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Monroe County, Iowa's compliance with those requirements.

In our opinion, Monroe County, Iowa complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. The results of our auditing procedures disclosed no instances of non-compliance with those requirements which are required to be reported in accordance with OMB Circular A-133.

Internal Control over Compliance

The management of Monroe County, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Monroe County, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Monroe County, Iowa's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. We identified no deficiencies in internal control over compliance we consider to be significant deficiencies or material weaknesses.

A control deficiency in the County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect non-compliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the County's internal control.

Monroe County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Monroe County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Monroe County, Iowa and other parties to whom Monroe County, Iowa may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
January 11, 2010

MONROE COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

PART I: SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over the major program were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section; 510(a).
- (g) The major program was CFDA Number 97.036 – Disaster Grants – Public Assistance.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Monroe County did not qualify as a low-risk auditee.

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

Significant Deficiencies:

II-A-09 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in each of the offices identified may have control over the following areas for which no compensating controls exist:

- | | <u>Applicable
Offices</u> |
|---|---|
| (1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipts records. | Ag Extension,
Auditor,
Recorder,
Sheriff,
Treasurer |
| (2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not handle or record cash. | Ag Extension,
Auditor,
Recorder,
Sheriff,
Treasurer |
| (3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepared the checks or warrants or approved vouchers for payment. | Auditor,
Recorder |

MONROE COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

PART II: FINDINGS RELATED TO THE FINANCIAL STATEMENTS: (Continued)

Significant Deficiencies: (Continued)

II-A-09 Segregation of Duties (Continued)

Applicable
Offices

- | | | |
|-----|---|---------|
| (4) | Payroll checks or warrants are prepared and signed in a single process. Since the preparation and signing are combined, there should be review procedures by supervisory personnel. | Auditor |
|-----|---|---------|

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. Officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

Responses

Ag Extension – We have some compensating controls in place including a general review by the Ag Extension Director and the Ag Extension Council. With a limited number of employees, further segregation is not feasible at this time.

County Auditor – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – We have some compensating controls in place. We have set up various checks and reviews and employees alternate duties from month to month. With our limited number of employees, further segregation of duties is not feasible at this time.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We have improved procedures during the year and will try to make any necessary changes to improve internal control in the future.

Conclusion – Responses accepted.

II-B-09 Electronic Data Processing Systems

Comment – During our review of internal controls, the existing control activities in the County's computer based systems were evaluated in order to determine that activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weakness in the County's computer based systems was noted.

The County does not have a written disaster recovery plan in case of computer failure or destruction.

Recommendation – The County should develop a written disaster recovery plan in order to improve the County's control over computer based systems.

Response – The County will review the above, and take appropriate action as necessary.

Conclusion – Response accepted.

MONROE COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

PART III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS:

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

No matters were noted.

PART IV: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

- IV-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 did not exceed the amounts budgeted.
- IV-B-09 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-09 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-09 Business Transactions – No business transactions between the County and County officials or employees were noted.
- IV-E-09 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- IV-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County's investment policy were noted.

- IV-H-09 Resource Enhancement and Protection Certification – The County did not properly dedicate property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa. As a result, the County will not receive the additional resource enhancement and protection funds allocated in accordance with subsections (b)(2) and (b)(3).

Recommendation – The County should consider dedicating an adequate amount of property tax revenue for conservation purposes in order to receive the additional REAP funding.

Response – We will consider this.

Conclusion – Response accepted.

- IV-I-09 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2009 for the County Extension Office did not exceed the amount budgeted.

MONROE COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009

PART IV: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING: (Continued)

IV-J-09 Debt Service Expenditures – We noted that payments made by the County for capital leases were made through the County environment and education function.

Recommendation – All payments made by the County to retire bonds, notes, loans, or capital leases should be budgeted and paid through the debt service function of the County in the applicable fund in which the payment is made.

Response – We will properly budget and account for these expenditures in the future.

Conclusion – Response accepted.